

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

BULLETIN 94-2

Issued this 18th day of
July, 1994

**TO: ALL INSURANCE COMPANIES WRITING HOMEOWNERS INSURANCE
POLICIES IN MINNESOTA**

RE: Minnesota Statutes section 72A.20, subd. 13 - Megai Discrimination "Redlining"

During the past year, the Minnesota Department of Commerce has investigated the level of insurer compliance with the aforementioned statute. Although the overall level of compliance appeared to be excellent, several insurers did request that the Department provide additional clarification relating to the applicability of the statute to their general underwriting activities.

Minn. Stat. §72A.20 subdivision 13 prohibits insurers from using certain factors when determining whether to offer or renew homeowners insurance within Minnesota. Specifically, the statute prohibits insurance companies who write homeowners insurance in any town or city from discriminating in the acceptance of a risk or from charging a differential rate for the same amount of equivalent insurance, within that city or town based solely on:

- The age of the primary structure;
- The geographic area in which the property is located;
- A rejection, nonrenewal or cancellation by another insurer;
- The fact that prior coverage was provided by the Minnesota Fair Plan.

Therefore, with regard to the age of a primary structure, an insurer may not:

1. decline to accept or renew a risk based solely on the age of the structure, or;
2. offer premium discount(s) based solely on the age of the structure.

It should be noted that the availability of comparable coverage from an "affiliated carrier" does not release an insurer from its responsibility for complying with the aforementioned provisions.

Although an insurer may not base underwriting decisions solely on the age of the primary structure, they may use the age and/or condition of the mechanical systems within that structure as a rating and/or underwriting factor.

Insurers may not offer "new home discounts", if such discounts are based solely on the "age of a dwelling". However, insurers may offer discounts based on the "age" of the mechanical system(s) within a home as long as those discounts are made available to all homes regardless of their "age". In order to prevent any misunderstanding or confusion relating to the basis for such discounts, the Department strongly recommends that future marketing materials refrain from using such terminology as "new home discount" or "new construction discount".

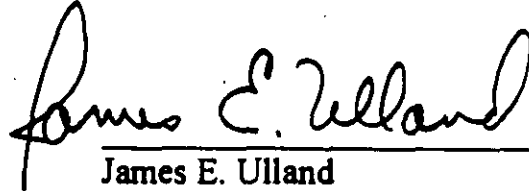
In addition, an insurer who offers a specific product/coverage within a city or town, cannot condition eligibility for the product/coverage solely on: age, location, declination history, or prior Fair Plan coverage. Insurers must utilize and apply the same underwriting standards for all applicants seeking the product/coverage, who reside within a specific town or city.

Minn. Stat. §72A.02, subd. 13, prohibits an insurer from "...charging differential rates for an equivalent amount of homeowner's insurance coverage...for property located in a town or statutory or home rule...", based solely on the home's location. There has been a considerable amount of discussion between Department and industry representatives, regarding whether this provision prohibits the practice of charging different rates in different zip codes within the same city or town.

Because of the conflicting and/or differing opinions relating to the interpretation and application of this statutory provision, the Department intends to address the issue through the rule promulgation process. The proposed rule will clarify this issue. The rule will be promulgated pursuant to the applicable provisions of Minnesota Statute Chapter 14 and thereby provide all affected parties with an opportunity to present evidence in support of their position/interpretation. During the interim, the Department will continue its current practice of accepting rate filings based on zip code areas within the same cities or towns.

Although the Department has attempted, in this Bulletin, to clarify the questions most frequently raised by insurers relating to the application of Minn. Stat. §72A.20 subdivision 13, we strongly recommend that each insurer conduct a thorough review of its underwriting, rating and marketing activities to ensure that they are in compliance with the statute. Any changes necessary to ensure full compliance should be instituted within 30 days of receipt of this Bulletin.

An officer of the company must sign, date and return this Bulletin to the Department of Commerce within 15 days of its receipt. You may return the acknowledgement by either mail or fax. If the company wishes to transmit its acknowledgement by fax, it should be directed to the Minnesota Department of Commerce, (612) 296-4328.



James E. Ulland
Commissioner of Commerce

Company: _____

Acknowledging Officer's Title: _____

Officer's Name: _____

Officer's Signature: _____

Date: _____